



Highlights

- Gross domestic product (GDP) rose 0.3% (trend) in December quarter 2004, following revised growth of 0.3% growth in the September quarter.
- In annual terms, GDP growth (trend) weakened sharply to 1.9% in December quarter 2004, compared with annual growth of 2.9% in the September quarter.
- In seasonally adjusted terms, GDP rose 0.1% in the December quarter, below the market consensus of 0.5% growth. In annual terms, growth slowed to 1.5%, also disappointing the market expectation of a 2.0% rise over the year.

Analysis (trend terms)

- Domestic demand, underpinned by private consumption, continued to drive overall growth in December quarter 2004, while net exports continued to detract heavily from growth.
- Private consumption rose 0.8% over the quarter, following 0.9% recorded in the September quarter. Although consumption continues to grow solidly, the rate of growth has eased from the exceptional quarterly growth rate of 1.7% recorded in late 2003.
- Dwelling investment fell by 1.7% in December quarter 2004, after falling 1.1% in the previous quarter. Dwelling investment growth has moderated rapidly since a recent high of 3.0% in March quarter 2004, implying that the peak of the housing cycle has passed. Both alterations and additions activity and new and used dwelling investment declined for the second consecutive quarter in December.
- On the other hand, business investment rose strongly, increasing 2.8% in trend terms in the December quarter, to be 9.1% higher over the year. The relative strength of the Australian dollar supported rapid growth in machinery and investment (4.1%) in the December quarter, while investment in other buildings and structures was up marginally (0.2%) during the quarter.
- Net exports detracted 0.5% point from overall growth in the December quarter, representing the thirteenth consecutive quarterly detraction of 0.5% point or more. Additionally, inventories detracted 0.4% point from growth during the December quarter, as businesses reduced their stock levels.
- The level of exports fell for the second consecutive quarter in trend terms, falling by 0.4% during the quarter. Imports continued to be bolstered by solid private demand during the quarter, rising by 1.7%.

Table 1
GDP Growth – December quarter 2004

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.1	1.5
Trend	0.3	1.9

Chart 1
GDP Growth (trend)

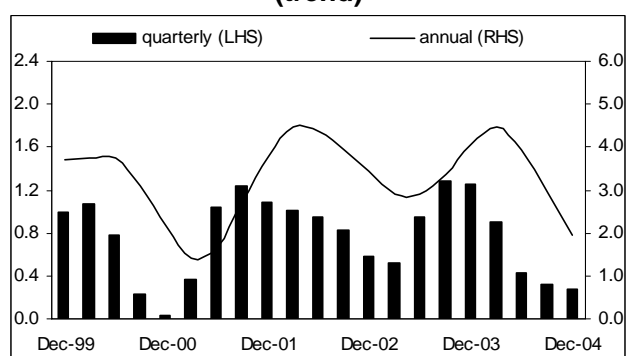


Table 2
Components of GDP (December quarter 2004, trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.9	4.2	0.7	3.3
Household consumption	0.8	4.3	0.5	2.6
General govt consumption	1.0	3.7	0.2	0.7
Private dwellings	-1.7	0.5	-0.1	0.0
Business Investment	2.8	9.1	0.3	1.0
Machinery and equipment	4.1	12.7	0.3	1.0
Buildings and structures	0.2	2.0	0.0	0.1
Livestock	3.0	10.0	0.0	0.0
Intangible fixed assets	2.6	10.6	0.0	0.2
Ownership transfer costs	-4.4	-22.1	-0.1	-0.4
Private gross fixed capital	1.2	4.3	0.3	0.9
Public gross fixed capital	2.2	11.0	0.1	0.4
Changes in inventories			-0.4	-0.9
Private non-farm stocks			-0.5	-0.9
Farm			0.0	0.0
Public authorities			0.1	0.1
Gross national expenditure	0.6	3.6	0.7	3.8
Net Exports			-0.5	-2.2
Exports of goods & services	-0.4	2.1	-0.1	0.4
less Imports of goods & services	1.7	11.3	-0.4	-2.6
Statistical discrepancy			0.2	0.5
GDP	0.3	1.9	0.3	1.9
Current Prices				
Compensation of employees	1.6	6.8		
Gross Operating surplus	1.2	6.0		
GDP	1.4	6.0		
Deflators and Prices				
Terms of Trade	1.8	9.7		
Household consumption deflator	0.4	1.6		
GDP deflator	1.1	4.0		

*Reference year for chain volume measure is 2002-03

Charts 2-9

Components of Trend GDP

Chart 2
Private Consumption (% change)

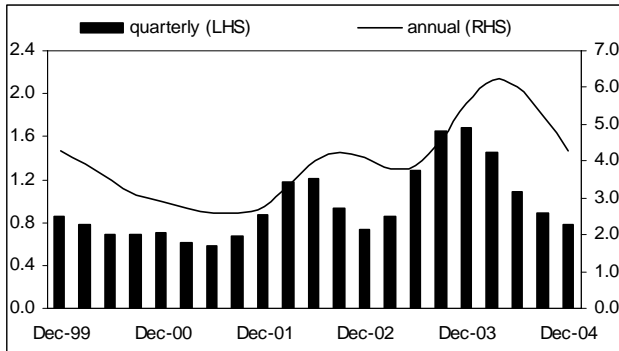


Chart 6
Stocks (% point contribution to growth)

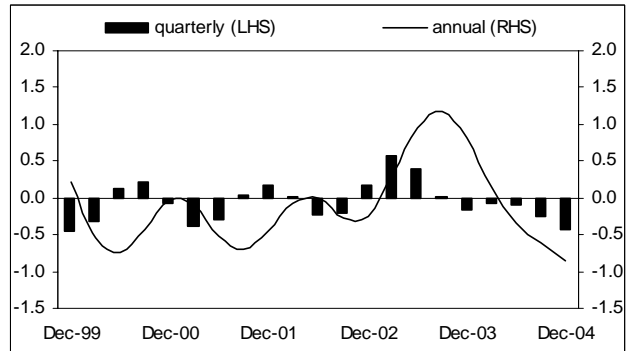


Chart 3
Dwelling Investment (% change)

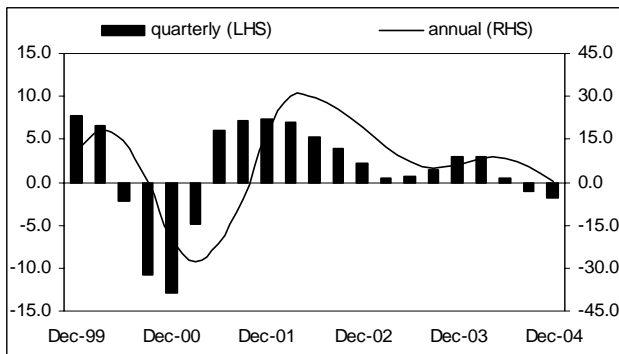


Chart 7
Exports (% change)

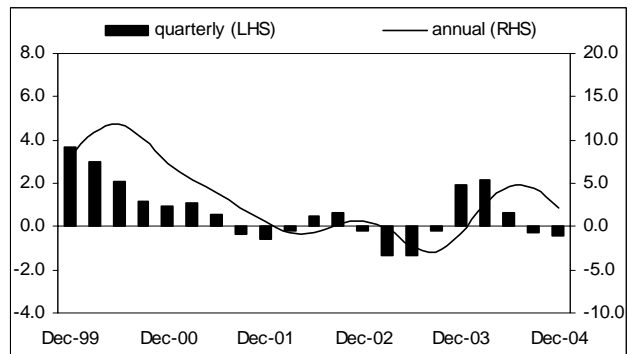


Chart 4
Business Investment (% change)

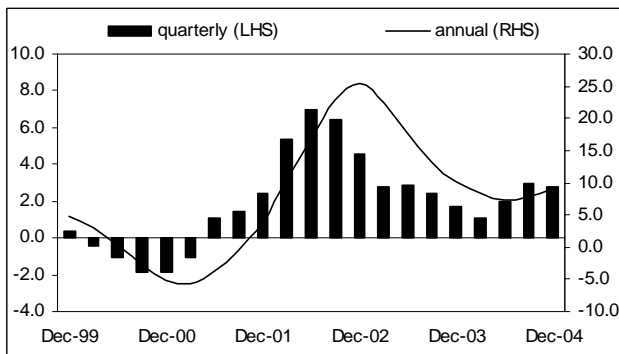


Chart 8
Imports (% change)

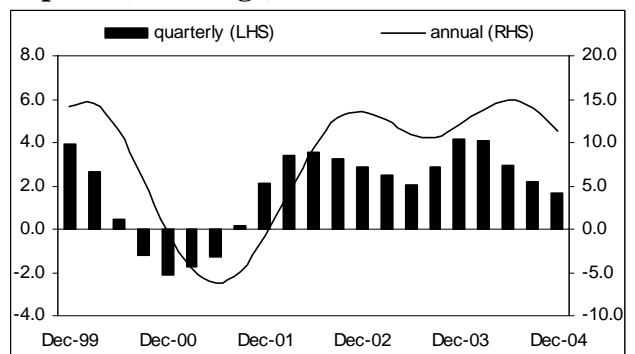


Chart 5
Public Final Demand (% change)

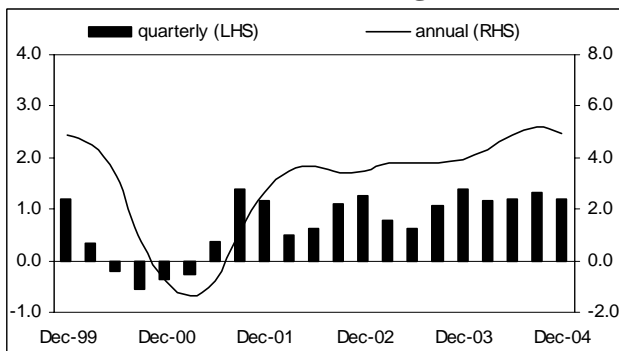


Chart 9
Net Exports (% point contribution to growth)

